



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 48.04.114

CONVERSION DATE: July 1, 1998

This ETA is cancelled effective January 29, 2009

EXEMPTION OF DUES FROM BUSINESS AND OCCUPATION TAX

Issued July 8, 1966

Are dues paid to a non-profit bargaining association where the amount of such dues are based on a percentage of the gross sales of the products marketed by each member exempt from taxation under the Business and Occupation Tax?

Taxpayer was a non-profit organization the purpose of which was to bargain for prices on crops grown by its members. The taxpayer served only its own members and did not engage in other commercial enterprises. The dues paid were based on a percentage of the gross sales of crops by each member and were calculated only to reimburse the necessary expenditures of the association.

RCW 82.04.430(2) grants an exemption from the measure of the Business and Occupation Tax for amounts derived from dues. However, dues which are for, or graduated upon, the amount of services rendered by the recipient are not exempted. The intent of the law is to exempt only such dues as are exclusively for the privilege of membership.

The bargaining association received payments from its members which were based on that member's production. Thus, they were dependent upon the amount of service rendered by the association. Under the holding in Red Shingle Bureau v. State, 62 Wn. 2d 341, the business services provided by taxpayer bargaining association gave rise to income taxable under the Business and Occupation Tax.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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